



Department of Justice

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Southern District of Indiana**

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HOGSETT ANNOUNCES INDICTMENT OF EX-INDIANAPOLIS AREA REALTOR IN MORTGAGE FRAUD SCHEME

INDIANAPOLIS - Joseph H. Hogsett, United States Attorney, announced that Roger D. McKuhen, age 66, formerly of Avon, Ind., and currently a resident of Virginia, was charged today in an indictment with conspiracy to commit wire fraud, following an investigation by the Federal Bureau of Investigation and the Indiana Attorney General's Office, Licensing Enforcement and Homeowner Protection Unit. Hogsett stated, "mortgage fraud will be vigorously prosecuted wherever it occurs in Indiana. The United States Attorney's Office prioritizes the protection of Hoosier home-buyers, particularly those who have been victimized by sophisticated wrongdoers."

The indictment alleges that between April 2006 and January 2007, McKuhen and his co-conspirators conspired to defraud various mortgage lenders by creating false, fraudulent, and bogus second mortgages and false estimates and fake invoices for repairs, which allowed McKuhen and his co-conspirators to use funds provided by the lenders at closing to settle the false second mortgages and repair bills as down payments on the properties, all without the lenders' knowledge.

The indictment charges that McKuhen effected the scheme at the closings of at least seven separate properties located on Indianapolis's south side. At the closings, the buyer (who was recruited by McKuhen to be a part of the scheme) did not bring the funds required for the down payment on the properties, but instead, the title agent (also recruited by McKuhen to participate in the scheme) allowed the sale to close without a down payment, even though a down payment was required by the lenders in order to initiate the loan.

For each property, McKuhen created either: (1) a false second mortgage payable to a company owned by McKuhen; or (2) a fraudulent invoice or estimate (payable to a co-conspirator) for repair work allegedly done or to be done to the property, even though McKuhen knew that the repair work would never be done. These false mortgages and/or repair invoices or

estimates were presented at closing as genuine, and the title agent initiated payments to settle the bogus mortgages and repair invoices/estimates to McKuhen's company and/or McKuhen's co-conspirators. Once these funds were paid by the title company, McKuhen caused at least a portion of these funds to belatedly be used to make the down payment that was required at closing. Often, the down payments were not made to the title agent until days after the sale closed on the properties. The lenders providing funds for these transactions had no knowledge that the second mortgages and repair bills were fraudulent, nor did they know that funds were not being provided by the purported purchaser of the properties at closing.

For the seven properties identified in the indictment, the scheme was used to obtain loans totaling approximately \$429,000. The lenders who provided financing for the properties would not have agreed to provide financing if they were aware of McKuhen's scheme. Ultimately, all of the properties alleged in the indictment went into foreclosure. Even after foreclosure sales, the lenders were unable to recoup all the funds invested in the properties. McKuhen, however, earned a profit in real estate commissions as a result of the scheme.

"Mortgage fraud undermines the ability of legitimate home-buyers to borrow and is an affront to all in Indiana who have worked hard to reform the mortgage industry. When one individual out of greed tries to game the mortgage system to enrich himself, the Attorney General's Homeowner Protection Unit – working with our colleagues in the FBI and U.S. Attorney's Office – will vigorously combat such schemes," Indiana Attorney General Greg Zoeller said.

According to Assistant United States Attorneys Joe H. Vaughn and Nicholas E. Surmacz, who are prosecuting the case for the government, McKuhen faces a maximum of 20 years in prison and a \$250,000 fine. An initial hearing will be scheduled in Indianapolis, Indiana before a U.S. Magistrate Judge.

An indictment is only a charge and is not evidence of guilt. A defendant is presumed innocent and is entitled to a fair trial at which the government must prove guilt beyond a reasonable doubt.

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